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(Original Signature of Member)

117TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to impose a minimum tax
on certain wealthy taxpayers that takes into account unrealized gains.

IN THE HOUSE OF REPRESENTATIVES

Mr. COHEN introduced the following bill; which was referred to the Committee
on _____

A BILL

To amend the Internal Revenue Code of 1986 to impose
a minimum tax on certain wealthy taxpayers that takes
into account unrealized gains.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Billionaire Minimum
5 Income Tax Act”.

1 **SEC. 2. MINIMUM TAX ON CERTAIN WEALTHY TAXPAYERS.**

2 (a) IN GENERAL.—Subtitle A of the Internal Rev-
3 enue Code of 1986 is amended by inserting after chapter
4 4 the following new chapter:

5 **“CHAPTER 5—MINIMUM TAX ON CERTAIN**
6 **WEALTHY TAXPAYERS**

“Sec. 1481. Minimum tax on certain wealthy taxpayers.

“Sec. 1482. Certain otherwise exempt transfers by certain wealthy taxpayers
treated as taxable.

7 **“SEC. 1481. MINIMUM TAX ON CERTAIN WEALTHY TAX-**
8 **PAYERS.**

9 “(a) IN GENERAL.—In the case of an applicable tax-
10 payer, there is hereby imposed (in addition to any other
11 tax imposed by this subtitle) for each taxable year a tax
12 equal to the excess (if any) of—

13 “(1) 20 percent of the sum of—

14 “(A) the taxpayer’s taxable income for
15 such taxable year, plus

16 “(B) the taxpayer’s net unrealized gain for
17 such taxable year, over

18 “(2) the sum of—

19 “(A) the taxpayer’s minimum tax account
20 balance for such taxable year, plus

21 “(B) the taxpayer’s regular tax liability (as
22 defined in section 26(b)) for such taxable year.

23 “(b) LIMITATION ON MINIMUM TAX.—The tax im-
24 posed under subsection (a) with respect to any applicable

1 taxpayer (other than an applicable taxpayer described in
2 subsection (c)(1)(B)) for any taxable year shall not exceed
3 40 percent of the excess described in subsection (c)(1)(A)
4 with respect to such taxpayer for such taxable year.

5 “(c) APPLICABLE TAXPAYER.—For purposes of this
6 section—

7 “(1) IN GENERAL.—The term ‘applicable tax-
8 payer’ means—

9 “(A) any individual for any taxable year if
10 the taxpayer’s net worth for such taxable year
11 exceeds \$100,000,000 (half such amount in the
12 case of a married individual filing a separate re-
13 turn), and

14 “(B) any trust or estate treated as an ap-
15 plicable taxpayer under subsection (g).

16 “(2) NET WORTH.—The term ‘net worth’
17 means, with respect to any taxpayer for any taxable
18 year, the excess (if any), determined as of the close
19 of such taxable year, of—

20 “(A) the estimated value of all assets of
21 the taxpayer and all trust attributed assets of
22 the taxpayer, as determined under regulations
23 provided by the Secretary, over

1 “(B) all debts (and such other liabilities as
2 the Secretary may provide) of the taxpayer and
3 all trust attributed debts of the taxpayer.

4 “(3) TRUST ATTRIBUTED ASSETS.—The term
5 ‘trust attributed assets’ means, with respect to any
6 taxpayer—

7 “(A) any asset of a trust which such tax-
8 payer is treated as owning under subpart E of
9 part I of subchapter J of chapter 1, and

10 “(B) any asset of a trust (other than a
11 trust which a person other than the taxpayer is
12 treated as owning under such subpart) that is
13 distributable to the taxpayer or from which in-
14 come is distributable to the taxpayer in whole
15 or in part, whether or not the taxpayer’s dis-
16 tribution rights are subject to a contingency,
17 unless that contingency is the death of another
18 trust beneficiary.

19 “(4) TRUST ATTRIBUTED DEBTS.—The term
20 ‘trust attributed debts’ means, with respect to any
21 taxpayer—

22 “(A) any debt (and such other liabilities as
23 the Secretary may provide) of a trust described
24 in paragraph (3)(A), and

1 “(B) any debt (and such other liabilities as
2 the Secretary may provide) with respect to an
3 asset described in paragraph (3)(B) if the hold-
4 ers of such debt have a right to repayment
5 which is senior to the distribution rights of the
6 taxpayer.

7 “(5) GRATUITOUS TRANSFERS.—

8 “(A) IN GENERAL.—In the case of any
9 asset which was transferred by the taxpayer
10 during the 5-year period ending with the close
11 of the taxable year for which the taxpayer’s net
12 worth is determined (and which is not otherwise
13 taken into account in determining such net
14 worth), such taxpayer’s net worth (as deter-
15 mined for purposes of this section) shall be—

16 “(i) increased by the value of such
17 transferred asset at the time of transfer,

18 “(ii) decreased (but not in excess of
19 the amount of the increase under clause
20 (i)) by the amount paid in consideration
21 for such asset by the transferee,

22 “(iii) in the case of any decrease
23 under clause (ii), increased to the extent of
24 any liability of the transferee to the trans-
25 feror or related party (as defined under

1 section 267(b)) of the transferor, incurred
2 in connection with the transfer of such
3 asset, to the extent that the right to collect
4 such liability is not already reflected in the
5 net wealth of the transferor, and

6 “(iv) increased by the value of any
7 such transferred asset transferred with a
8 purpose that was in substantial part to
9 avoid tax, to the extent not already in-
10 cluded as an increase under clause(i) or
11 (iii).

12 “(B) EXCEPTIONS.—Subparagraph (A)
13 shall not apply with respect to any transfer of
14 an asset to—

15 “(i) an organization described in sec-
16 tion 170(c),

17 “(ii) a spouse or former spouse if sec-
18 tion 1041 applies to such transfer, or

19 “(iii) a spouse if both spouses are ap-
20 plicable taxpayers at the time of such
21 transfer.

22 “(C) SPECIAL RULE REGARDING TRANS-
23 FER TO AVOID TAX.—For purposes of subpara-
24 graph (A)(iv), if one or more transfers of assets
25 would (but for this sentence) reduce the tax im-

1 posed under this section and the taxpayer re-
2 tains a substantial degree of control over such
3 assets, the purpose of such transfers shall be
4 treated as avoidance of tax unless the taxpayer
5 shows otherwise by clear and convincing evi-
6 dence.

7 “(d) MINIMUM TAX ACCOUNT BALANCE.—For pur-
8 poses of this section, the term ‘minimum tax account bal-
9 ance’ means, with respect to any taxpayer for any taxable
10 year, the excess (if any) of—

11 “(1) the aggregate amount of tax imposed
12 under this section with respect to the taxpayer for
13 all prior taxable years, over

14 “(2) the sum of—

15 “(A) the aggregate credits allowed under
16 sections 25E and 36C with respect to the tax-
17 payer for all prior taxable years, and

18 “(B) the aggregate reductions described in
19 subsection (h)(6) with respect to the taxpayer
20 for all prior taxable years.

21 “(e) NET UNREALIZED GAIN.—

22 “(1) IN GENERAL.—For purposes of this sec-
23 tion, the term ‘net unrealized gain’ means, with re-
24 spect to any taxpayer for any taxable year, the ex-
25 cess (if any) of—

1 “(A) the aggregate gains which would be
2 recognized if such taxpayer sold each asset held
3 at the close of such taxable year (including any
4 asset described in subsection (c)(3)(A)) for such
5 asset’s estimated value at such time, over

6 “(B) the aggregate losses which would be
7 so recognized.

8 “(2) ESTIMATED VALUE.—For purposes of this
9 section—

10 “(A) IN GENERAL.—Except as otherwise
11 provided in this subsection, the term ‘estimated
12 value’ means fair market value determined in
13 such manner as the Secretary may provide.

14 “(B) NON-READILY TRADABLE ASSETS.—

15 “(i) DEFAULT METHOD.—In the ab-
16 sence of regulations or other guidance
17 under clause (iii) or (iv) (and only in such
18 absence), the estimated value of a non-
19 readily tradable asset shall be determined
20 by beginning with the greatest (determined
21 after adjustment under clause (ii)) of —

22 “(I) the original basis amount,

23 “(II) the adjusted cost basis
24 amount, or

1 “(III) the most recent fair mar-
2 ket valuation amount.

3 “(ii) ADJUSTMENT FOR DEEMED AP-
4 PRECIATION.—Each amount described in
5 subclause (I), (II) and (III) of clause (i)
6 shall be separately increased by a rate of
7 appreciation equal to the sum of—

8 “(I) the annual rate of interest
9 determined by the Secretary to be
10 equivalent to the average of the 5-year
11 constant maturity Treasury yields, as
12 published by the Board of Governors
13 of the Federal Reserve System, for
14 the 5-year period ending on Sep-
15 tember 30 of the calendar year ending
16 before the date with respect to which
17 the estimated value is determined,
18 plus

19 “(II) 2 percentage points,
20 for the period beginning on the date with
21 respect to which such amount relates and
22 ending on the date with respect to which
23 the estimated value is determined.

24 “(iii) REGULATIONS.—In the case of
25 any non-readily tradable asset, the esti-

1 mated value of such asset shall be deter-
2 mined by such method as the Secretary
3 may prescribe in regulations or other guid-
4 ance. Such method may require a single
5 valuation method with respect to any such
6 asset or may provide one or more options
7 for valuing any such asset and may (but is
8 not required to) include one or more of the
9 following:

10 “(I) Required formulaic valu-
11 ations based on any of the original
12 basis amount (grossed up by a for-
13 mula), other adjusted cost basis
14 amounts (potentially adjusted by a
15 formula), most recent fair market
16 valuation amount (grossed up by a
17 formula), or formulaic multiple of
18 book value or other financial state-
19 ment valuation.

20 “(II) Any valuation method uti-
21 lized with respect to illiquid taxpayers
22 under subsection (f), including any
23 method under the special valuation re-
24 gime and the rule that a valuation
25 may be challenged by the taxpayer

1 only upon a showing of clear and con-
2 vincing error.

3 “(iv) CERTAIN REQUIRED APPLICA-
4 TIONS OF ILLIQUID TAXPAYER RULES.—
5 The Secretary may issue regulations or
6 other guidance which require certain tax-
7 payers which hold one or more non-readily
8 tradable assets to apply one or more of the
9 rules applicable to illiquid taxpayers under
10 paragraph (4) and subsection (h) (without
11 regard to whether the taxpayer makes the
12 election described in paragraph (4) or any
13 election under subsection (h)) with respect
14 to all or any portion of such assets. The
15 Secretary may require calculation and pay-
16 ment of estimated annual taxes on such as-
17 sets to the extent that the Secretary deter-
18 mines that doing so would best advance
19 the goal of minimizing gaming by tax-
20 payers.

21 “(v) RECAPTURE OF DEPRECIATION
22 AND AMORTIZATION PERMITTED.—Nothing
23 in this subsection shall be construed to
24 prevent the determination of gains and
25 losses for purposes of this subsection with

1 respect to any asset on the basis of the ad-
2 justed basis of such asset (after taking into
3 account any reductions in such basis for
4 depreciation or amortization).

5 “(3) NON-READILY TRADABLE ASSET.—For
6 purposes of this section, the term ‘non-readily
7 tradable asset’ means any asset which is part of any
8 class of assets with respect to which the Secretary
9 has determined that mandatory annual valuations
10 are inappropriate for purposes of this section.

11 “(4) ILLIQUID TAXPAYERS.—

12 “(A) IN GENERAL.—In the case of an il-
13 liquid taxpayer which makes the election de-
14 scribed in subparagraph (B)—

15 “(i) the net unrealized gain of such
16 taxpayer shall be determined by only tak-
17 ing into account the unrealized gains (and
18 losses) on assets other than non-readily
19 tradable assets, and

20 “(ii) such taxpayer shall be subject to
21 the requirements of subsection (f) with re-
22 spect to all non-readily tradable assets held
23 by the taxpayer.

24 “(B) ILLIQUID TAXPAYER.—For purposes
25 of this subsection, the term ‘illiquid taxpayer’

1 means any taxpayer for any taxable year if the
2 estimated value of all assets other than non-
3 readily tradable assets of the taxpayer as of the
4 close of such taxable year does not exceed 20
5 percent of the taxpayer's net worth for such
6 taxable year.

7 “(C) ELECTION.—Any election made
8 under this paragraph shall be made at such
9 time and in such manner as the Secretary may
10 provide and, once made with respect to any
11 asset, may be revoked only with the consent of
12 the Secretary (and subject to such requirements
13 as the Secretary may provide to ensure proper
14 taxation of gains and losses with respect to
15 such assets). If the Secretary determines that it
16 is consistent with the purposes of this section,
17 the Secretary may permit an illiquid taxpayer
18 to elect to apply this paragraph (and subsection
19 (f)) with respect to such portion of non-readily
20 tradable assets of the taxpayer as the Secretary
21 determines is consistent with such purposes.

22 “(f) UNLIQUIDATED TAX RESERVE ACCOUNTS.—

23 “(1) IN GENERAL.—The Secretary shall issue
24 regulations or other guidance under which, in the
25 case of any taxpayer subject to the requirements of

1 this subsection (including by reason of sub-
2 section(e)(2)(B)(iv) or (e)(4) or paragraph (2)(K) of
3 this subsection), the taxpayer’s tax liability under
4 this section, and the timing of any such liability,
5 with respect to any non-readily tradable assets held
6 by such taxpayer are determined on the basis of the
7 Unliquidated Tax Reserve Account rules prescribed
8 by the Secretary under this subsection.

9 “(2) UNLIQUIDATED TAX RESERVE ACCOUNT
10 RULES.—The Unliquidated Tax Reserve Account
11 rules prescribed by the Secretary under this sub-
12 section shall, except as otherwise provided by the
13 Secretary, be consistent with the following:

14 “(A) Any taxpayer subject to this sub-
15 section shall be treated as having an Unliqui-
16 dated Tax Reserve Account (hereafter in this
17 subsection referred to as an ‘ULTRA’) which
18 consists of the non-readily tradable assets held
19 by such taxpayer (or, as the case may be, to the
20 portion of such assets described in subsection
21 (e)(2)(B)(iv) or (e)(4)(C)) (hereafter in this
22 subsection referred to as the ‘ULTRA assets’).

23 “(B) Except as provided in subparagraph
24 (K)—

1 “(i) in the case of the first year in
2 which a taxpayer becomes subject to this
3 subsection and so has assets in the
4 ULTRA, the notional interest percentage
5 of the ULTRA shall be 20 percent (0 per-
6 cent in the case of a taxpayer which elects
7 to recognize all unrealized gains of all as-
8 sets in the ULTRA upon initiation of the
9 ULTRA), and

10 “(ii) at the end of the first year in
11 which a taxpayer becomes subject to this
12 subsection and so has assets in the
13 ULTRA and at the end of each subsequent
14 year during which the taxpayer continues
15 to be subject to this subsection and have
16 assets in the ULTRA, the notional interest
17 percentage of the ULTRA shall be in-
18 creased annually by an amount equal to
19 the product of—

20 “(I) the deemed rate of return
21 multiplied by 20 percent, multiplied
22 by

23 “(II) 1 minus the notional inter-
24 est percentage immediately prior to
25 the increase.

1 “(C) The deemed rate of return for pur-
2 poses of subparagraph (B)(ii)(I) shall be the es-
3 timated investment rate of return for the entire
4 economy as determined by the Secretary, or if
5 the Secretary provides that the notional interest
6 percentage should be determined separately
7 with respect to any class of assets, such other
8 rate of return as the Secretary determines ap-
9 propriate for such asset class.

10 “(D) Any sale, or other transfer, of any
11 ULTRA asset shall be treated as a distribution
12 from the ULTRA, except that the Secretary
13 shall provide rules for treating transfers made
14 in the ordinary course of a trade or business
15 and exchanges of non-readily tradable assets as
16 other than distributions.

17 “(E) Except as otherwise provided by the
18 Secretary, an increase in debt shall be treated
19 as a distribution from the ULTRA and any
20 subsequent decrease in debt shall be taken into
21 account as a reduction in distributions from the
22 ULTRA or as a credit against tax (as the Sec-
23 retary determines appropriate).

24 “(F) Any distribution from the ULTRA
25 shall result in an increase in the taxable income

1 of the taxpayer equal to the product of the esti-
2 mated value of the distribution multiplied by
3 the notional interest percentage at the time of
4 the distribution.

5 “(G) A taxpayer may elect to pay liabilities
6 under this subsection in advance and proper
7 credit shall be provided for any such liabilities
8 so paid in advance upon resolution of the
9 ULTRA.

10 “(H) The Secretary shall establish a spe-
11 cial valuation regime for purposes of deter-
12 mining the estimated value of any distribution
13 of a non-tradable asset from an ULTRA. Such
14 special valuation regime shall ensure valuation
15 accuracy, minimize the potential for under-valu-
16 ation, and minimize the potential for taxpayer
17 gaming. Such regime may include the use of
18 appraisers employed by the Secretary, formulaic
19 valuations, or any other method designed to en-
20 sure valuation accuracy and minimize the po-
21 tential for gaming. Any estimated value deter-
22 mined under such special valuation regime may
23 be challenged by the taxpayer only upon a
24 showing of clear and convincing error. In place
25 of the standard due process safeguards, a tax-

1 payer may opt to reject such special valuations
2 (under rules and procedures to be determined
3 by the Secretary) and instead maintain the non-
4 tradable asset within an ULTRA.

5 “(I) If a taxpayer is subject to the require-
6 ments of this subsection with respect to any as-
7 sets, such taxpayer shall remain subject to the
8 requirements of this subsection (without regard
9 to whether or not such taxpayer ceases to be an
10 applicable taxpayer) until the ULTRA is re-
11 solved and all liabilities with respect to such
12 ULTRA have been paid. For purposes of this
13 subsection, an ULTRA shall be treated as re-
14 solved upon the death of the taxpayer, the dis-
15 tribution of all assets of the ULTRA, a deter-
16 mination by the Secretary that further treat-
17 ment as an ULTRA is inconsistent with the
18 purposes of this section, or a determination by
19 the Secretary described in subparagraph (J).

20 “(J) If the Secretary determines, upon ap-
21 plication by the taxpayer, that the resolution of
22 an ULTRA is not inconsistent with the pur-
23 poses of this section—

1 “(i) all remaining assets of such
2 ULTRA shall be treated as distributed,
3 and

4 “(ii) such ULTRA shall be treated as
5 resolved.

6 “(K) Upon the resolution of the ULTRA,
7 there shall be imposed on the taxpayer a tax (or
8 a refund of taxes previously paid may be award-
9 ed) as determined by the Secretary by applying
10 a retrospective formula determined by the Sec-
11 retary to eliminate the entire tax advantage of
12 deferral. Such tax shall be determined in a
13 manner to take into account prior distributions
14 from the ULTRA and any tax previously im-
15 posed thereon and any liability under this sub-
16 section which is paid in advance under subpara-
17 graph (G).

18 “(L) If, upon the death of a taxpayer, an
19 heir of ULTRA assets elects to initiate a carry-
20 over ULTRA for such inherited assets—

21 “(i) such assets shall not be taken
22 into account under subparagraph (J) upon
23 the resolution of the decedent’s ULTRA,

24 “(ii) such heir’s carry-over ULTRA
25 shall begin with a notional interest per-

1 centage equal to that of the decedent's
2 ULTRA at the time of death, and
3 “(iii) such carry-over ULTRA shall be
4 maintained separately from any ULTRA
5 otherwise maintained by such heir.

6 “(g) TREATMENT OF TRUSTS AND ESTATES AS AP-
7 PLICABLE TAXPAYERS.—For purposes of this chapter—

8 “(1) IN GENERAL.—Any trust (other than a
9 trust the assets of which are treated as owned by
10 another taxpayer under subpart E of part I of sub-
11 chapter J of chapter 1) or applicable estate shall be
12 treated as an applicable taxpayer for purposes of
13 this chapter if any assets of the trust are trust at-
14 tributed assets with respect to any applicable tax-
15 payer.

16 “(2) APPLICABLE ESTATE.—An estate is an ap-
17 plicable estate beginning with the third taxable year
18 following the date of death of the decedent if the de-
19 cedent was an applicable taxpayer for any taxable
20 year ending during the 5-year period ending on the
21 date of the decedent's death.

22 “(3) TRUSTS ACQUIRING UNITED STATES
23 BENEFICIARIES.—

24 “(A) IN GENERAL.—If paragraph (1) ap-
25 plies to a trust for a transferor or beneficiary's

1 taxable year, and paragraph (1) would have ap-
2 plied to the trust for any of the preceding 10
3 taxable years (other than years prior to the ef-
4 fective date of this section) but for the fact that
5 in such year or years there was no United
6 States beneficiary for any portion of the trust,
7 then the transferor shall be treated as having
8 income for the taxable year equal to—

9 “(i) the aggregate increases in the tax
10 imposed under this title for each such prior
11 taxable year (beginning after the date of
12 the enactment of this chapter) which would
13 have occurred if paragraph (1) had applied
14 to such trust for such year, plus

15 “(ii) interest on such increase deter-
16 mined with respect to each such taxable
17 year determined at the underpayment rate.

18 “(B) NO LIVING TRANSFEROR.—In the
19 event that subparagraph (A) would apply, but
20 for the fact that there is no living transferor,
21 then each beneficiary of such trust, other than
22 a contingent beneficiary, shall be treated as
23 having income for the taxable year equal to—

24 “(i) the aggregate increases in the tax
25 imposed under this title for each such prior

1 taxable year (beginning after the date of
2 the enactment of this chapter) which would
3 have occurred if paragraph (1) had applied
4 to such trust, but only to the extent of
5 such increases in tax which would have oc-
6 curred with respect to such portion of trust
7 assets as are distributable to the bene-
8 ficiary, or such portion of trust income as
9 is distributable to the beneficiary (whether
10 or not such assets or income are so distrib-
11 uted), plus

12 “(ii) interest on such increase deter-
13 mined with respect to each such taxable
14 year determined at the underpayment rate.

15 “(C) CONTINGENT BENEFICIARIES.—In
16 the event that no tax is imposed on a bene-
17 ficiary under subparagraph (B) because such
18 beneficiary is contingent, then in the first tax-
19 able year in which such beneficiary is no longer
20 contingent, such beneficiary shall be treated as
21 having income for the taxable year equal to the
22 amount that would have been imposed under
23 subparagraph (B), plus interest on such in-
24 crease determined with respect to each such
25 taxable year determined at the underpayment

1 rate, but in no case will such tax and interest
2 be imposed with respect to any portion of trust
3 assets or income previously subject to tax under
4 this section.

5 “(D) CONTINGENT.—For purposes of this
6 paragraph, a beneficiary’s interest in a trust
7 shall be treated as contingent if (and only if)
8 such interest depends on the outcome of uncer-
9 tain future events (other than the discretion of
10 the trustee to determine the timing of the dis-
11 tribution of income).

12 “(h) ELECTION TO PAY LIABILITY IN INSTALL-
13 MENTS.—

14 “(1) IN GENERAL.—A taxpayer may elect to
15 pay the tax imposed under subsection (a) or (g) for
16 any taxable year in 5 equal annual installments (in
17 the case of the taxpayer’s first taxable year begin-
18 ning in 2023, 9 equal annual installments).

19 “(2) DATE FOR PAYMENT OF INSTALLMENTS.—
20 If an election is made under paragraph (1), the first
21 installment shall be paid on or before the due date
22 (determined without regard to any extension of time
23 for filing the return) for the return of tax for the
24 taxable year described in subsection (a) and each
25 succeeding installment shall be paid on or before the

1 due date (as so determined) for the return of tax for
2 the taxable year following the taxable year with re-
3 spect to which the preceding installment was made.

4 “(3) ACCELERATION OF PAYMENT.—

5 “(A) IN GENERAL.—If there is an addition
6 to tax for failure to timely pay any installment
7 required under this subsection (other than by
8 reason of a timely election made under para-
9 graph (5)), a bankruptcy of the taxpayer (in-
10 cluding in a title 11 or similar case), or any
11 similar circumstance, then the unpaid portion
12 of all remaining installments shall be due on
13 the date of such event (or in the case of a title
14 11 or similar case, the day before the petition
15 is filed).

16 “(B) PAYMENT WITHIN 6 MONTHS.—In
17 the case of the payment of any installment re-
18 quired under this subsection during the 6-
19 month period beginning on the due date of such
20 installment, subparagraph (A) shall not apply
21 and rules similar to the rules of section
22 6166(g)(3)(B) shall apply.

23 “(4) PRORATION OF DEFICIENCY TO INSTALL-
24 MENTS.—If an election is made under paragraph (1)
25 to pay tax imposed under subsection (a) in install-

1 ments and a deficiency has been assessed with re-
2 spect to such tax, the deficiency shall be prorated to
3 the installments payable under paragraph (1). The
4 part of the deficiency so prorated to any installment
5 the date for payment of which has not arrived shall
6 be collected at the same time as, and as a part of,
7 such installment. The part of the deficiency so pro-
8 rated to any installment the date for payment of
9 which has arrived shall be paid upon notice and de-
10 mand from the Secretary. This subsection shall not
11 apply if the deficiency is due to negligence, to inten-
12 tional disregard of rules and regulations, or to fraud
13 with intent to evade tax.

14 “(5) ELECTION.—Any election under paragraph
15 (1) shall be made at such time and in such manner
16 as the Secretary shall provide.

17 “(6) REDUCTION OF INSTALLMENT PAYMENTS
18 TO EXTENT MINIMUM ACCOUNT BALANCE IS IN EX-
19 CESS OF EXPECTED RECOGNIZED GAIN.—If the min-
20 imum account balance of the taxpayer for any tax-
21 able year (reduced by the amount of any credit al-
22 lowed under section 25E for such taxable year) ex-
23 ceeds 20 percent of the taxpayer’s net unrealized
24 gain for such taxable year, such excess shall be ap-
25 plied to reduce the amount of any installment pay-

1 ments of the taxpayer the date for payment of which
2 has not yet arrived (without regard to the taxable
3 year to which such installment payment relates).
4 Any reduction under the preceding sentence shall be
5 applied to installment payments on a last-due, first-
6 reduced basis.

7 “(i) INFORMATION REPORTING.—The Secretary
8 shall, not later than 1 year after the date of the enactment
9 of this section, issue regulations—

10 “(1) requiring such persons as the Secretary
11 determines appropriate to file a return with the Sec-
12 retary which include such information as the Sec-
13 retary determines necessary to carry out this sec-
14 tion, including the provision of applicable financial
15 statements (within the meaning of section 451(b)),
16 other financial or accounting statements, insurance
17 valuations, or similar documents, and

18 “(2) requiring persons required to file returns
19 under paragraph (1) to furnish statements to such
20 other persons as the Secretary determines appro-
21 priate which contain all or a portion of the informa-
22 tion contained in such return.

23 “(j) REGULATIONS.—The Secretary shall issue such
24 regulations or other guidance as may be necessary or ap-
25 propriate to carry out the purposes this section and sec-

1 tions 25E and 36C, including regulations or other guid-
2 ance to—

3 “(1) require reporting of basis and estimated
4 value of assets, aggregated by asset class or other-
5 wise, held by the applicable taxpayer, and liabilities
6 of the applicable taxpayer, as of the close of the tax-
7 able year, in such manner as the Secretary may pro-
8 vide,

9 “(2) discourage applicable taxpayers from inap-
10 propriately converting assets into assets which are
11 non-readily tradable assets,

12 “(3) treat assets held directly or indirectly by
13 the applicable taxpayer as held by the applicable tax-
14 payer,

15 “(4) in such circumstances as the Secretary de-
16 termines there is a reasonable risk of an intent to
17 avoid tax, treat assets owned or controlled by per-
18 sons related to the applicable taxpayer as owned by
19 the applicable taxpayer,

20 “(5) provide for the application of such sections
21 with respect to married individuals, including rules
22 with respect to—

23 “(A) individuals whose marital or joint re-
24 turn filing status changes, and

1 “(B) the transfer of an individual’s min-
2 imum tax account balance to the individual’s
3 spouse or otherwise upon the death of such in-
4 dividual,

5 “(6) provide that the tax imposed under this
6 section shall not be taken into account in deter-
7 mining the amount of any required payment of esti-
8 mated tax or in satisfying the safe harbor to avoid
9 a penalty for the underpayment of estimated tax,
10 and

11 “(7) if the Secretary determines appropriate to
12 carry out the purposes of this section, provide for
13 the separate application of such sections with re-
14 spect to different classes of assets.

15 “(k) STANDARDS FOR MAKING CERTAIN DETER-
16 MINATIONS.—For purposes of making any determination
17 described in subsection (e)(2)(A), (e)(2)(B)(iii), (e)(3),
18 (f)(2)(C), or (f)(2)(D), the Secretary shall balance the
19 goals of ensuring valuation accuracy, minimizing the po-
20 tential for taxpayer gaming, and avoiding unduly excessive
21 compliance and administrative costs.

1 **“SEC. 1482. CERTAIN OTHERWISE EXEMPT TRANSFERS BY**
2 **CERTAIN WEALTHY TAXPAYERS TREATED AS**
3 **TAXABLE.**

4 “(a) IN GENERAL.—Notwithstanding any other pro-
5 vision of this title, in the case of any specified transfer
6 by a covered taxpayer, gain shall be recognized by such
7 covered taxpayer in an amount equal to the excess (if any)
8 of the estimated value (as defined in section 1481(e)(2))
9 of the property transferred over the adjusted basis of such
10 property.

11 “(b) SPECIFIED TRANSFER.—For purposes of this
12 section, the term ‘specified transfer’ means any gift, chari-
13 table contribution, bequest, or other transfer upon death.

14 “(c) COVERED TAXPAYER.—For purposes of this sec-
15 tion, the term ‘covered taxpayer’ means, with respect to
16 any taxable year, any taxpayer which is an applicable tax-
17 payer for such taxable year or was an applicable taxpayer
18 for any of the 10 taxable years immediately preceding such
19 taxable year.

20 “(d) REGULATIONS.—The Secretary shall issue such
21 regulations or other guidance as may be necessary or ap-
22 propriate to carry out the purposes of this section, includ-
23 ing regulations or other guidance that provide for excep-
24 tions with respect to—

1 “(1) transfers which are de minimis or which
2 otherwise do not pose a risk of circumventing the
3 purposes of this chapter, and

4 “(2) taxpayers which do not pose such a risk.”.

5 (b) CREDIT AGAINST TAXES ON RECOGNIZED
6 GAINS.—Subpart A of part IV of subchapter A of chapter
7 1 of the Internal Revenue Code of 1986 is amended by
8 inserting after section 25D the following new section:

9 **“SEC. 25E. MINIMUM TAX ON CERTAIN WEALTHY TAX-**
10 **PAYERS CREDITED AGAINST RECOGNIZED**
11 **GAINS.**

12 “In the case of an individual (including any estate
13 or trust), there shall be allowed as a credit against the
14 tax imposed by this chapter for the taxable year an
15 amount equal to the lesser of—

16 “(1) the taxpayer’s minimum tax account bal-
17 ance (as defined in section 1481) for such taxable
18 year determined, in the case of any tax imposed
19 under section 1481 with respect to which an election
20 is made under such section to pay such tax in in-
21 stallments, by only taking into account so much of
22 such tax as has been paid as of the close of such
23 taxable year, and

24 “(2) the excess (if any) of—

1 “(A) the taxpayer’s regular tax (as defined
2 in section 26(b)) for such taxable year, over

3 “(B) the amount which would be deter-
4 mined under subparagraph (A) if the taxpayer
5 did not recognize any gain or loss for such tax-
6 able year.”.

7 (c) REFUND OF EXCESS MINIMUM TAX ON CERTAIN
8 WEALTHY TAXPAYERS.—Subpart C of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 is amended by inserting after section 36B the fol-
11 lowing new section:

12 **“SEC. 36C. CREDIT FOR EXCESS MINIMUM TAX ON CERTAIN**
13 **WEALTHY TAXPAYERS.**

14 “In the case of an individual (including any estate
15 or trust), there shall be allowed as a credit against the
16 tax imposed by this subtitle for any taxable year an
17 amount equal to the excess (if any) of—

18 “(1) the amount described in section 25E(1) for
19 such taxable year, over

20 “(2) the sum of—

21 “(A) 20 percent of the taxpayer’s net unre-
22 alized gain (as defined in section 1481) for such
23 taxable year,

1 “(B) the aggregate credits allowed under
2 section 25E for such taxable year and all prior
3 taxable years, and

4 “(C) the aggregate reductions determined
5 under section 1481(h)(6) for such taxable year
6 and all prior taxable years.”.

7 (d) PENALTIES FOR FAILURE TO REPORT.—

8 (1) RETURNS.—Section 6724(d)(1)(D) of the
9 Internal Revenue Code of 1986 is amended by in-
10 serting “1481(i)(1) or” before “6055”.

11 (2) STATEMENTS.—Section 6724(d)(2) of such
12 Code is amended—

13 (A) in subparagraph (II), by striking “or”
14 at the end,

15 (B) in the first subparagraph (JJ), by
16 striking the period at the end and inserting a
17 comma,

18 (C) in the second subparagraph (JJ)—

19 (i) by redesignating such subpara-
20 graph as subparagraph (KK), and

21 (ii) by striking the period at the end
22 and inserting “, or”, and

23 (D) by adding at the end the following new
24 subparagraph:

1 “(LL) section 1481(i)(2) (relating to state-
2 ments relating to minimum tax on certain
3 wealthy taxpayers).”.

4 (e) CONFORMING AMENDMENTS.—

5 (1) Section 6211(b)(4)(A) of the Internal Rev-
6 enue Code of 1986 is amended by inserting “36C,”
7 after “36B,”.

8 (2) Paragraph (2) of section 1324(b) of title
9 31, United States Code, is amended by inserting
10 “36C,” after “36B,”.

11 (3) The table of chapters for subtitle A of the
12 Internal Revenue Code of 1986 is amended by in-
13 serting after the item relating to chapter 4 the fol-
14 lowing new item:

“CHAPTER 5. MINIMUM TAX ON CERTAIN WEALTHY TAXPAYERS.”.

15 (4) The table of sections for subpart A of part
16 IV of subchapter A of chapter 1 of the Internal Rev-
17 enue Code of 1986 is amended by inserting after the
18 item relating to section 25D the following new item:

“Sec. 25E. Minimum tax on certain wealthy taxpayers credited against recog-
nized gains.”.

19 (5) The table of sections for subpart C of part
20 IV of subchapter A of chapter 1 of the Internal Rev-
21 enue Code of 1986 is amended by inserting after the
22 item relating to section 36B the following new item:

“Sec. 36C. Credit for excess minimum tax on certain wealthy taxpayers.”.

1 (f) SENSE OF CONGRESS REGARDING STATE RESI-
2 DENCY RULES.—It is the sense of Congress that the tax-
3 ation by the several States of extreme wealth is in the pub-
4 lic interest and that silence on the part of Congress shall
5 not be construed to impose any barrier to the use of rea-
6 sonable residency rules, including such rules that appor-
7 tion a tax on deemed sales or extreme wealth over no more
8 than five years, by the several States or the District of
9 Columbia.

10 (g) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 the date of the enactment of this Act.